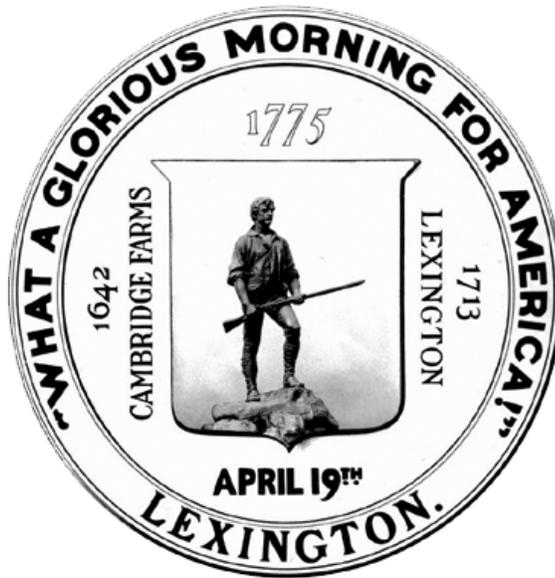


APPROPRIATION COMMITTEE
TOWN OF LEXINGTON



REPORT TO
SPECIAL TOWN MEETING 2016-2
AND
SPECIAL TOWN MEETING 2016-4 (Part 2)

Released May 6, 2016

APPROPRIATION COMMITTEE MEMBERS

Glenn P. Parker, Chair • John Bartenstein, Vice Chair/Secretary
Robert N. Addelson (ex-officio; non-voting) • Kathryn Colburn • Mollie Garberg
Alan Levine • Beth Masterman • Eric Michelson • Richard Neumeier • Andrei Radulescu-Banu

Introduction

The Appropriation Committee is appointed by the Town Moderator and serves as an advisory group to the elected members of Town Meeting. The Committee is required by Town bylaw to present its recommendations to Town Meeting prior to any vote with a financial impact on the Town. This report summarizes the Committee's deliberations and analyses regarding the warrant articles deemed to have financial significance, along with the vote of the Committee for each article. The Committee also gives oral reports and responds to questions during Town Meeting as necessary, or when important information has become available following the publication of a report.

This report is distributed to the members of Town Meeting as a printed document and as an electronic document via the Town website. The Committee originally planned to release a report on May 2, 2016, but was unable to meet its schedule due to unresolved deliberations by the Board of Selectmen regarding the motion for Article 2 of STM 2016-2. This report was published on May 6, 2016, three days prior to the session when the articles discussed in this report are anticipated to be taken up in Town Meeting.

Special Town Meeting 2016-2 Analysis and Recommendations

The Warrant for Special Town Meeting 2016-2 has one unresolved article.

Article 2016-2.2: Land Purchase – 20 Pelham Road		
Funds Requested	Funding Source	Committee Recommendation
\$8,000,000	GF Debt	Approve (7-1)

Background

The property at 20 Pelham Road was formerly known as the Armenian Sisters Academy, a private K-8 school. It is comprised of about 8.4 acres of land with a mostly one-story school building constructed in 1959, with two paved driveways and two small paved parking lots. Roughly four acres of the plot is covered by woods, with a small clearing on the west side of the building. The large wooded area includes roughly 2 acres marked as wetlands by the Mass Dept. of Environmental Protection. The building offers slightly less than half the classroom capacity of other Lexington Public Schools elementary schools; it presently includes space for 10 classrooms, as well as a large two-story gym, a cafeteria, and administrative offices. The property abuts the new Community Center adjacent to the old carriage house.

The School Committee and other Town officials became interested in purchasing the property after the Academy closed in June 2015 due to dwindling enrollment. The Town’s interest in the property is based on its potential to satisfy the current and future facility needs of the Lexington Public Schools, and/or possible municipal facility needs. This interest is driven by the Town’s strategic needs, i.e., that the Town’s public schools are already overcrowded and facing rising enrollments, and that important municipal facilities including the Headquarters Fire Station and the Police Station need to be renovated or replaced. New sites may be needed for schools, for the school administration, for the Town’s preschool program, for the fire and police stations, or for swing space for various projects. At present, the Town has very limited options to develop new facilities for either school or municipal needs, including the acquisition of land.

Potential Uses

The acquisition of the 20 Pelham Road property will not solve an immediate problem commensurate with its cost to the Town, furthermore no long term use of the property has been identified. Instead, the acquisition is expected to give the Town an alternative location for a range of possible facilities as a number of both major and medium-scale capital projects evolve.

Opportunities to acquire useful property for the Town are always fleeting. These opportunities must be considered as they arise, and they are rarely coordinated with the timing of the Town’s long-term needs. When such properties are not acquired by the Town, they are usually sold to private developers, precluding any future chance for acquisition.

Currently, the Town has very little in the way of unused property at locations that are considered practical for school or municipal facilities. To develop short- and long-term options for the locations of new facilities, the Town may consider acquiring a limited number of strategically located properties. To do this, the Town must proceed in a timely manner when such properties become available, even when the final use cannot be determined at the time of acquisition.

There are inherent risks in this strategy. The Town’s capacity to handle additional debt service on large property purchases is constrained due to existing and anticipated capital expenditures. Acquiring any

property consumes capacity that could be used for some other, possibly superior, property. This is usually described as the “opportunity cost”. However, if the Town fails to add any new properties to its inventory, then the paths for developing new facilities will be very constrained.

The decision on whether to acquire a property must be based on reasonable measures of utility, primarily size, location, accessibility, and suitability for municipal or school needs, combined with an assessment of the Town’s financial capacity. The property at 20 Pelham Road presents both positive and negative features. The location of the property, adjacent to the Community Center, and in the central eastern region of Lexington, is a strong positive. The existing building also has a gymnasium and a cafeteria with a commercial kitchen that could be integrated into the Recreation Departments offerings at the neighboring Community Center. On the other hand, the condition of the existing building is not ideal. There are some hazardous materials that would need to be removed, and (depending on future uses) the building might require some upgrades to meet current building codes and accessibility standards. At the moment, the only vehicular access is via the intersection of Pelham Road and Massachusetts Avenue, which has poor sight-lines when entering and exiting Pelham Road.

In the short term, part of the building could house the School Administration offices in order to give the School Department greater flexibility in the use of the “old” Harrington School facility, or it could provide swing space for the schools or for a municipal department, e.g. police, during reconstruction.

Potential long-term uses include:

- A 10 classroom school (renovate existing building).
- An expanded 12 classroom school (existing building plus addition or modulars).
- A new 24 classroom school (new building).
- New site for the Lexington Children’s Place (pre-K).
- Permanent site for School Administration.

In addition, part of the property could be used for a new access road from Marrett Road via the Community Center property, should the traffic to the property require it.

Town Meeting appropriated \$150,000 on December 2, 2015 for studies of the accessibility of the site and the usability of the building. Professional consultants performed the studies, and have submitted their reports to Town officials. These reports have not been made public, but it is safe to say that their contents did not deter the Selectmen from pursuing the property.

At this time, the current issues with vehicular access to the 20 Pelham Road property preclude any use that generates significant traffic, such as a school with more than 10 classrooms.

Financing

The request under this article is intended to cover the purchase price including legal expenses, as well as a small amount of funding for site engineering following the acquisition. The majority of the funds would be used to purchase the property, or to compensate the owners as part of an eminent domain taking. The estimated value of the property is based on a professional appraisal prepared for the Town, which evaluated both institutional and residential uses.

If the Town takes the property by eminent domain, there is a risk that the owners will sue for higher compensation than was offered by the Town. This would result in additional legal expenses, and possibly require the Town to increase the compensation paid to the current owners. As of press time, the Town had not reached a negotiated agreement, but approval of this article would not preclude a negotiated purchase. The Committee hopes that the Town will be able to complete a negotiated purchase in a timely manner, but we acknowledge the Selectmen’s prerogative in this matter.

The motion to Town Meeting to acquire 20 Pelham Road will not be contingent on the approval of a referendum to use excluded debt as a funding source. This allows for the most flexibility going forward. A

contingency clause in the motion is not needed because the debt could be excluded by referendum at any time after the acquisition until bonds are issued to fund the purchase.

The purchase would initially be funded using a Bond Anticipation Note (BAN), an interest-only loan with a term ending up to 12 months from the date of issuance. If necessary, this BAN could be rolled over for another year, but at some point, the BAN would be converted to a bond with a term of up to 30 years, less the number of years that notes were outstanding.

The projection of annual debt service would range from approximately \$600,000 (in the early years of full principal and interest payments) down to approximately \$285,000 near the end of the term. These figures do not include issuance costs or a possible bond premium. If the cost was financed entirely as within-levy debt, the first annual payment would represent roughly 7% of the current annual budget for within-levy debt service and cash capital.

The Committee recommends approval of this request (7-1).

Special Town Meeting 2016-4 Analysis and Recommendations

The Warrant for Special Town Meeting 2016-4 has one unresolved article.

Article 2016-4.5: Purchase of Belmont Country Club Land		
Funds Requested	Funding Source	Committee Recommendation
None	N/A	IP

The Board of Selectmen have decided not to exercise the Town's right of first refusal on the property in question.

The Committee expects this article will be indefinitely postponed.